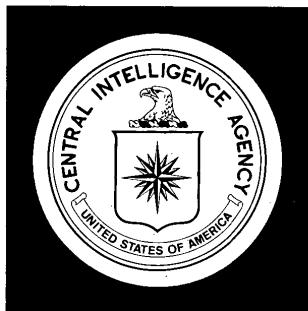


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The President's Daily Brief

July 22, 1974

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THE PRESIDENT'S DAILY BRIEF

July 22, 1974

PRINCIPAL DEVELOPMENTS

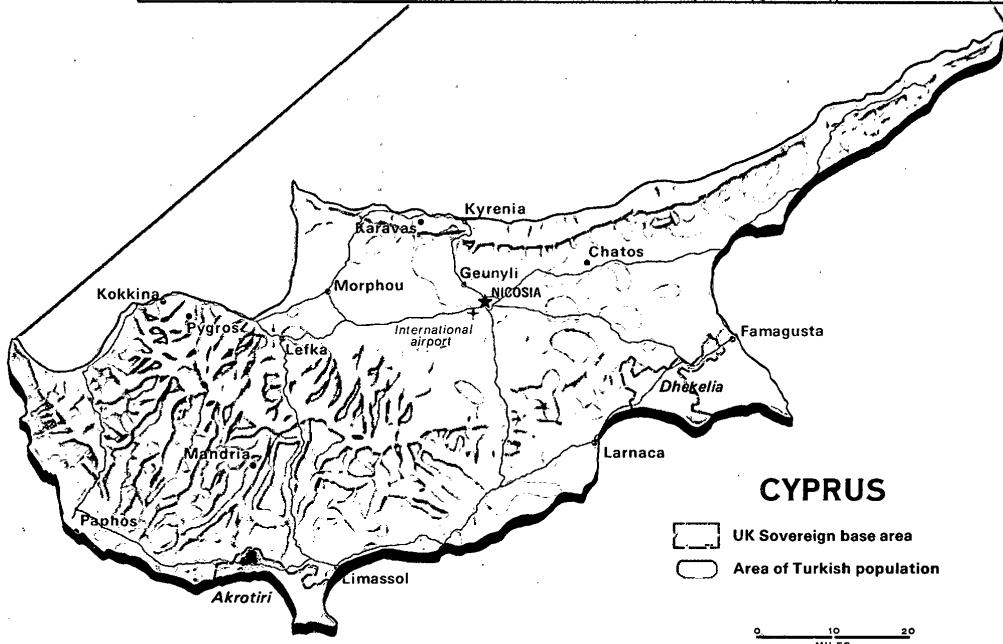
The cease-fire arranged last night will bring to at least a temporary halt the fighting that has raged on Cyprus since the Turkish invasion early Saturday. (Page 1)

The USSR and East Germany have sharpened their threats to retaliate if Bonn goes ahead with plans to set up a Federal Environmental Office in West Berlin this fall. The Soviets are trying to increase the pressure on Bonn amid signs that West German officials may be wavering on the issue. (Page 3)

General Franco's condition is reported to have worsened yesterday. (Page 4)

Notes on Italy, China, and the USSR appear on Page 4.

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CYPRUS

The cease-fire arranged last night would bring to at least a temporary halt the fighting that has raged on Cyprus since the Turkish invasion on Saturday.

Both Greece and Turkey claim to be satisfied with the present military standoff: Athens is pleased that Cypriot forces have brought the Turkish advance almost to a standstill, while Ankara claims to have achieved its principal objective of establishing a beachhead and taking control of an access corridor to Nicosia.

Both sides used the last hours before the cease-fire to continue strengthening their forces on the island. Several reports indicate that the Greeks landed elements of two battalions of paratroopers and marines at Nicosia airport by dawn today, the first time that regular Greek forces have been committed to the war.

Both sides are struggling to improve their positions in the vital Nicosia area. The arrival of Greek troops would improve Athens' bargaining position in any negotiations about the size of Greek and Turkish forces on the island. It would also improve Athens' standing among the Greek Cypriots, who until now have borne the brunt of the fighting, and bolster Ioannidis' position at home.

At the close of yesterday's fighting, the Turkish forces were still holding their own in the Nicosia and Kyrenia areas, although hard pressed by the Cypriot National Guard. Elsewhere the Greek Cypriots appear to have the upper hand in intercommunal fighting.

The Greeks appear satisfied with their performance. They have strongly contested the Turkish invasion and, with the elimination of Turkish Cypriot resistance, they have freed the bulk of their troops to concentrate on the main Turkish force. Clearly, the Turks have lost the initiative.

Turkish forces hold about 15 miles of beach in the vicinity of Kyrenia on the northern coast and the key mountain pass controlling the road leading

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south to Nicosia. In the capital, Turkish paratroopers are in the Turkish quarter and hold positions around the city. The Turks have not taken the airport, however, and while some forces from the coast may have reached the city, the road between Kyrenia and Nicosia is not secure.

On the mainland, press reports indicate that major Greek troop reinforcements continued to move toward the frontier with Turkey yesterday but that the border itself was calm. There are also reports from Ankara that some Turkish reinforcements have moved to the border area.

At Greek request, the Security Council will meet this morning to debate alleged Turkish atrocities during the fighting. Charging that the Turkish air force used napalm against hospitals and civilians, the Greeks demanded yesterday an immediate cessation of such actions and called for a resolution condemning Turkey.

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The crisis may have modified the decision-making process in Athens.

[redacted] the Greek leadership appears to be speaking with a collective voice and that for the first time since the coup last November, Ioannidis may be forced to share power. Government decisions apparently are being made by a "war council."

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Prime Minister Androutsopoulos told Secretary Sisco yesterday that young military officers would take over the government within 24 hours.

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[redacted]
At a special session of the North Atlantic Council last night, Greece informed its NATO allies that it accepted the US-arranged cease-fire and protested Turkish attacks and napalming of civilian centers in Cyprus.

The meeting also considered the earlier Greek announcement placing all Greek officers serving in SHAPE on 24 hours notice to leave for Greece with their families. The council members urged Greek reconsideration of this order warning against the serious consequences that a misinterpretation of this move would carry for the Alliance.

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BERLIN

The Soviets and East Germans have sharpened their threats to retaliate if Bonn goes ahead with plans to set up a Federal Environmental Office in West Berlin this fall. Pravda on July 20 printed a Soviet Foreign Ministry statement, which declared that such a step by the West Germans would violate the Quadripartite Agreement on Berlin and make it necessary for the USSR and East Germany to take "appropriate measures" to protect their interests. In a government statement released the same day, the East Germans warned that, if the office is established in West Berlin, its staff and equipment would be denied permission to transit East German territory.

Moscow and East Berlin have indicated on several occasions that they feel the need to react publicly to the opening of the agency. Both, however, have sought privately to assure the West that their actions will not be cause for alarm. An East German diplomat said earlier this month that his government is obliged to keep up pressure on the issue, but will avoid any "stupidities."

These moves seem aimed at increasing the pressure on Bonn at a time when there are signs that West German officials may be wavering on the issue. The Schmidt government has been half-hearted about going through with the project, and Schmidt himself at one time even suggested shelving it. President Scheel, who had been expected to sign last week the bill to establish the office in West Berlin, has not yet done so, despite strong prodding from West Berlin Mayor Schuetz.

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NOTES

Spain: General Franco's condition reportedly worsened yesterday afternoon. His family and the three top government officials assembled at the hospital. The General's doctors later announced that there was no need to alter treatment and that they remained optimistic about his condition. The country is calm and the press is stressing how smoothly the constitutional provisions for temporary transfer of the chief of state's role to Prince Juan Carlos have been implemented. The government itself remains in the hands of Prime Minister Arias, whom Franco appointed in January to a five-year term.

Italy: Rome's balance-of-payments deficit for the month of June was \$583 million, the lowest monthly deficit so far this year. The cumulative payments shortfall in the first half of 1974 was \$6.7 billion. The improvement last month is due largely to seasonal factors--increased receipts from tourism, for example. In addition, the credit squeeze in Italy may be forcing some return flow of private capital, and the trade deficit may have dropped slightly, thanks to import controls put into effect last April. Despite the recent improvement in the payments situation, Rome still must find a way to increase its official foreign borrowing in order to cover the deficit expected during the rest of the year.

China: Chou En-lai is apparently out of the hospital and has resumed some official duties. Peking's announcement of a meeting Saturday between Chou and a delegation from the Republic of Niger made no mention of a hospital. When the Chinese Premier met with Senator Jackson on July 5, Peking publicly admitted that the setting was a hospital room. Chou was apparently hospitalized with a heart ailment in June. He was said to be still confined in mid-July, when Vice Foreign Minister Chiao Kuan-hua told Western diplomats that the Premier was "convalescing well."

USSR: The Soviet helicopter ship Leningrad was sighted early Saturday by a US cruiser in the Bab el Mandeb Strait, just prior to entering the Red Sea. The Leningrad probably is en route to join the 11 Soviet ships engaged in mine-clearing operations in the Strait of Gubal.

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